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AUTHOR Shulman, Carol Herrnstadt
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ABSTRACT

This report opens with a brief review of the various solutions proposed to meet the financial crisis in higher education. These include: (1) formula grants; (2) student loans; (3) institutional grants; (4) state aid; (5) bank plans, such as the Educational Opportunity Bank; (6) scholarships and tax credits; and (7) proposals for a national center for higher education. An annotated bibliography is presented of 80 items, most of which were published during the last 6 years, that deal with plans for funding higher education at the federal, state, and institutional levels. (AF)

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REVIEW 3

FINANCING HIGHER EDUCATION

ERIC CLEARINGHOUSE ON HIGHER EDUCATION

The George Washington University
1 Dupont Circle, Suite 630
Washington, D.C. 20036

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by

Carol Herrnstadt Shulman

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FOREWORD

The deepening financial crisis in higher education has generated numerous debates and proposals about the funding of higher education on the federal, state, and institutional levels. This review is based on an annotated bibliography including 80 items, most of which were published during the last 6 years. Legislative proposals, including President Nixon's Higher Education Opportunity Act, have been excluded. Carol Shulman, Research Associate at the Clearinghouse, attempted to gather all significant literature, but current discussion is so prolific that this bibliography cannot be inclusive.

The third in a series of reviews on various aspects of higher education, this paper represents one of several kinds of Clearinghouse publications. Others include commissioned papers, bibliographies and compendia based on recent significant documents found both in and outside the ERIC collection. In addition, the current research literature of higher education is abstracted and indexed for publication in the U.S. Office of Education's monthly issue, *Research in Education*. Readers who wish to order ERIC documents cited in the bibliography should write to the ERIC Document Reproduction Service, Leasco Information Products Company, 4827 Rugby Avenue, Bethesda, Maryland 20014. When ordering, please specify the ERIC document (ED) number. Payment for microfiche (MF) or hard/photo copies (HC) must accompany orders of less than \$10.00. All orders must be in writing.

Carl J. Lange, *Director*
ERIC Clearinghouse on Higher Education
March 1971

TABLE OF CONTENTS

	Page
REVIEW	1
ANNOTATED BIBLIOGRAPHY	5

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REVIEW

Introduction

On August 31, 1970, the *Chronicle of Higher Education* reported a university president's warning that financing is "the most serious problem—even more serious than student dissent—that higher education will face in the 1970s." According to the Carnegie Commission report*:

Total institutional expenditures for higher education climbed from \$5.2 billion in 1957-58 to about \$17.2 billion in 1967-68, an increase of 231 percent as compared with a 119 percent increase in enrollments for the same period. It is estimated that expenditures . . . will total about \$41 billion in 1976-77 for a projected FTE enrollment of 9 million students. (56)

Educators and economists agree that higher education is in a severe financial crisis—a crisis which has forced some institutions to limit the development of new programs and activities, give inadequate support to existing programs, or to close down completely. Economists explain that the nature of the higher education business requires increasing financial resources which current forms of aid do not adequately supply. As the Carnegie Commission noted:

For many other activities of society, rising costs are offset in substantial part by accompanying rises in productivity. Unfortunately, higher education has not and perhaps cannot offset its rising costs in this manner. . . . no major ways are likely to be found in the short run which will make it possible to educate more students at the same level of expenditures without lowering academic quality. (56)

William G. Bowen (8) gives an example of how a continuing rise in production cost results in an escalating educational spiral:

If the salary of the typical faculty member does increase at an annual rate of 4 percent, so that his living standard improves along with the living standard of the auto worker, [while] output per man-hour in the education industry remains constant [as the auto worker's increases], it follows that the labor cost per unit of educational output must also rise 4 percent per year. *And there is nothing in the nature of the situation to prevent educational cost per unit of product from rising indefinitely at a compound rate of this sort.*

*For discussions of the dimensions of the financial crisis, see Earl F. Cheit's *The New Depression in Higher Education*, part of the Carnegie Commission on Higher Education's series, to be published by McGraw-Hill in February 1971, and William W. Jellema's "The Red and the Black. Special Preliminary Report on the Financial Stability, Present and Projected, of Private Institutions of Higher Learning," Association of American Colleges, January 10, 1971.

Therefore, Bowen explains, even if the status quo were maintained and no new programs undertaken, colleges and universities would still be under financial pressure (see also 12, 17, 27, 74).

Recognizing this situation, educators and economists are proposing and evaluating revisions of the present system and new methods of financing higher education for the 70s and beyond. A survey of the items listed in the bibliography indicates that current proposals for aid are designed to achieve two goals: maintenance or enhancement of the quality of programs and institutions; and greater equality of access to higher education, particularly for segments of the population which previously could not afford to attend. Although they agree on ends, the authors disagree on whether federal formula grants to institutions for general purposes or federal loans to students should be the primary method of financing. Underlying this debate are two different views of the significance of higher education for the individual and society.

Formula grants

Advocates of the formula grant or institutional aid approach—frequently associated with public colleges and universities and their professional organizations—believe that society should be responsible for a major share of higher education finances because it is the prime beneficiary of a highly educated and skilled population. The federal government, they argue, should give general aid to institutions so that they can be in a financially healthy position to serve an increasing number of students effectively. Howard R. Bowen, a leading spokesman for this approach, cites some of the general social benefits colleges and universities offer (5):

. . . institutions of higher education are not merely engaged in instruction, as important and as socially beneficial as that function may be. They also serve as centers of *learning* with many cultural, political, and economic influences that radiate out to society.

Peter Muirhead, Associate Commissioner for Higher Education, notes the "heightened perception of the direct bearing of the quality of higher education on the fortunes of the nation" since 1958 when the federal role in higher education was greatly increased (44).

Other writers predict greater federal support in the future. Russell Thackeray (26) believes that society should be higher education's greatest sponsor on the undergraduate level, as it already is for the elementary, secondary, graduate and professional schools; while Alan Pifer (52) would extend this support even further. He argues that because

colleges and universities are central to the society's well-being:

the financing of higher education will, like the support of agriculture, more and more come to be regarded as almost exclusively a federal responsibility.

Stanley Heywood (32) suggests extension of the GI Bill to a "Civilian Bill for Higher Education" which would finance all students.

Student loans

Supporters of the student loan approach to financing higher education argue that the college graduate is the prime beneficiary—materially and psychologically—of his advanced education and that he should, therefore, be financially responsible for that education. If necessary, he should borrow to pay for his education from student loan banks and repay his loan at a rate equal to a fixed percentage of his income over a 20- or 30-year period after graduation. These writers (e.g., 7, 17, 18) consider college education as an investment in human capital whose returns are spread over a lifetime to the individual and to society. Representing the strictest interpretation of this position, economist Milton Friedman contends that all arguments for the social benefits of higher education are "simply bad economics" and that whatever expenses a student incurs for his advanced education can be recovered through higher earnings (35). William G. Bowen (7) reports that all the information he has seen indicates that:

The purely private benefits of higher education, accruing directly to the individual receiving the education, are substantially greater than all of the cost incurred, including the student's own foregone earnings.

Implications

Economists and educators also differ over the consequences for equality of access to colleges and universities if one method or another were to dominate the financing of higher education. Supporters of institutional aid grants argue that such grants would enable institutions to keep their charges low, thereby encouraging the attendance of low income students (23, 58). They fear that if the student loan bank plan were made the prime source of funds for higher education, tuition charges would escalate at public as well as private institutions and thus saddle the poorer student with a large debt. The higher charges resulting from credit made available through the Bank would raise greater economic barriers to low income students than those they presently encounter at low tuition institutions (5). Howard Bowen has also pointed out that students already have a large financial burden. When foregone earnings are calculated with the student's tuition, fees, and living costs, Bowen finds (6) that the student actually pays "three-fourths to seven-eighths of the total cost of education, including the educational expense of the institution."

Supporters of student loan bank plans argue that public, low tuition institutions do not serve economically disadvantaged students now. Statistics show that "almost half of the undergraduate college students... come from the country's highest family income quartile; only 7 percent come from the lowest quartile" (17, 56, 62, 74). Some economists charge that, in fact, the poor may be subsidizing the education of wealthier students through their tax payments (30). This argument, however, is questioned by another writer (51) who finds those in the lowest income brackets pay less in taxes for public higher education than they receive in benefits.

Calling the student loan bank plans the "Student Loan Indenture Proposal," the National Association of State Universities and Land-Grant Colleges (58) charges that low income students would start their careers with a debt disproportionate to that incurred by wealthier students. However, loan bank proponents generally include with their plan education opportunity grants for the poorest students.

Another aspect of this controversy revolves around the concept of the buyer's versus the seller's market. Formula grant supporters (72) worry that the quality of education will decline if students control higher education through the power of the purse.

Are college curricula to be designed like television sets, automobiles, and women's skirts—with a view toward sales appeal, rapid model changes, and quick product obsolescence?

Loan bank advocates, however, see student financial pressure as a positive influence on colleges and universities which are not flexible and responsive to student needs (7, 19).

Institutional grant proposals

Plans on the federal and state levels for support of higher education through general purpose grants to institutions differ in design and potential effect by the degree of emphasis given to each of several criteria: enrollment, number of earned degrees, cost of instruction for different subject areas, and level of instruction.

On the federal level, Joseph Froomkin (28), Robert Farrell and Charles Andersen (21) discuss and compare formulas on the basis of the criteria mentioned above. Farrell and Andersen examined five major proposals: the Miller Bill, Howard R. Bowen's model of institutional support, a modified New York State formula, a Basic Enrollment Formula developed by the Office of Education, and their own Farrell-Andersen Growth Difference formula. Froomkin also evaluates these plans but extends the discussion to include the Carnegie Commission recommendations to match federal scholarship grants with institutional support grants, and the Office of Program Planning and Evaluation formula which he advocates.

Different proposals tend to favor institutions which exemplify most of the criteria the proposal emphasizes. For

example, Froomkin points out that the Bowen formula (6), by relying on increases in costs, would "favor institutions which are increasing their enrollments most rapidly.... quality institutions that were in financial straits but did not increase enrollments would not be helped unless the reimbursements were set in terms of actual costs incurred." Farrell and Andersen note that under the Miller Bill "the bulk of the funds would continue to go [to] the large institutions that presently have strong science programs."

The most impartial discussion of present and future methods of federal funding for higher education comes from Ronald A. Wolk (78), who reviews the possibilities, presents the arguments pro and con, and does not take a position himself. Wolk outlines five major methods: (1) categorical aid—funds provided to institutions for specific purposes; (2) aid to students through grants or loans; (3) grants to institutions for broad or undesignated purposes; (4) tax relief to taxpayers supporting college students, as well as tax relief to institutions; and (5) federal sharing of revenues with state governments.

Although they would rely on a loan bank program for most funding, the Carnegie Commission (56, 57) and "Rivlin Report" (74) recommendations provide for institutional grants allocated according to the number of enrolled, low income students receiving federal funds. Under the Carnegie plan, this "cost-of-education" grant would be based on the number and levels of these students, and it is understood that these additional funds would be used, in part, for special compensatory programs. The Rivlin plan would base its funds on the total number of federal grants an institution's students received per term.

State aid

State governments increasingly recognize that they have a responsibility to help support private colleges and universities within their borders. These institutions provide education and services to state residents which the government would otherwise have to supply at greater cost (24, 40, 46). In acknowledging this obligation, the states face two issues: aid to church-related institutions and aid to institutions enrolling a significant number of out-of-state students.

New York State's "Bundy Report" (46) describes the problems involved in the church-state question and suggests a solution. Since New York's constitution prohibits aid to institutions completely or partially under control of a religious organization, it recommends that the constitution should be amended to conform to the federal model. The federal government has upheld aid to religious institutions where "a law's primary purpose and effect is to benefit the public welfare—to promote some legitimate interest of the state not related to religion." William Valente (76) also notes that a legal basis exists for aid to church-related institutions under the Constitution. The legitimacy of federal aid to church-related institutions, however, has been brought before the Supreme Court, and a decision is ex-

pected in spring 1971. States may be able to avoid the issue entirely by funding through loan plans (76) or by indirect grants through consortia (3).

State formulas for aid to private institutions differ according to whether they distinguish between state residents and out-of-state students. The Massachusetts formula (24), for example, would base its grants on the number of degrees an institution awarded to Massachusetts residents, while Illinois, which has a net migration out of the state, would not make such a discrimination (71; see also 46).

Bank plans

Student aid plans—loans, grants and scholarships—dominate current discussions on how to finance higher education. Under these plans, college and university budgets would depend heavily on income from student fees. The trend toward this approach has developed particularly since 1967, when the Education Opportunity Bank was proposed (19). The "Ed Op Bank" is the archetype for several proposed models (14, 17, 36, 56, 57, 62, 74) of student loan banks with contingency repayment plans. All are similar in conception and design.

When organized, the Ed Op Bank would be a completely or largely self-supporting agency of the federal government, in contrast to the Carnegie Commission (56, 57) and Rivlin (74) plans for a federally chartered, non-profit private corporation—the National Student Loan Bank (NSLB). In all cases, the amount of money a student borrowed would not be allowed to exceed tuition, fees, and subsistence living costs. While the Ed Op Bank makes no provision for low-income students, the Carnegie and Rivlin plans relate the amount borrowed to opportunity grants given to low income students. Under the Ed Op plan, loans would be limited to \$15,000 for 4 years at any post-secondary institution. The Carnegie plan limits the amount a student may borrow to \$2500 per year for undergraduate studies, up to a total of \$6000, and up to \$10,000 for graduate studies (57). The Rivlin plan provides for loans for up to 5 years of undergraduate and 5 years of graduate study.

All plans rely on the contingency repayment method whereby the borrower repays his loan by returning a fixed percentage of his income each year to the Bank (see also item 80). Thus, his first low income years after graduation are not burdened with high loan obligations. The Ed Op Bank extends payments over a 30- or 40-year period, the Rivlin plan over 30 years, and the Carnegie plan assumes most borrowers would repay their debt in 20 years but cancels the debt 30 years after the first payment. All proposals include alternatives: the Rivlin plan suggests an optional, annual, fixed repayment; the Ed Op Bank offers a buy-out scheme to repay the debt at one time; and the Carnegie plan would cancel "up to 50 percent of the amount of interest added to the principal before the payment of the first installment, and up to 50 percent of the amount of interest accrued in any given year after repayment begins" based on a sliding scale of income.

Emphasizing the importance of providing access to higher education for needy students, the Carnegie and Rivlin reports consider federal grant programs for low income students an integral part of their overall financing plans. Under the Carnegie proposal, full-time students who needed full support would be allotted an educational opportunity grant of \$1000 a year for 4 years, or 6 years if the program requires a longer time (57). The undergraduate could also receive a supplementary grant if he had grants from non-federal sources. The supplementary grant would be "an amount matching the nonfederal grants but not exceeding one quarter of the student's original educational opportunity grant." Graduate students would receive up to \$2000 for 2 or 3 years beyond the bachelor's degree. Under the Rivlin plan, full-time needy students would receive grants ranging from \$200 to \$1500, based on adjusted family income, for 4 years or more as the degree program required. Other sources (6, 53) also favor a combined system of grants and loans on a national scale as part of their schemes for future financing.

Questions have been raised about the financial stability of the loan bank for borrowers who would not repay their debt because of insufficient income, i.e. women who married and did not work permanently or for long periods of time, and low income earners. A group of economists at the Massachusetts Institute of Technology (68) have considered the problem of married women and devised a formula linking a wife's repayment to her husband's income. Arguing for this solution, they support the bank plan. Gerard Brannon (9) points out that potentially high income earners might be reluctant to borrow because they would be subsidizing the Bank for its losses from low income debtors through higher repayment rates. He suggests that repayment rates would not have to be raised if the Bank were subsidized through general taxation.

Scholarships and tax credits

Other proposals for student aid are concerned with the method of awarding scholarships. Several authors (47, 49, 50) suggest that scholarships be given on the basis of need rather than scholastic ability, thereby converting scholarships into a form of economic opportunity grants. Richard Pearson (50), author of a study for New York State, believes that this approach would encourage the "college capable" student to pursue the education he now considers unavailable. John O'Hearne (47) criticizes the present system of giving small grants to some students while burdening the neediest with large amounts of aid in loans and jobs. Instead, he suggests that small grants be used to help meet the total needs of students from disadvantaged socioeconomic backgrounds. Similarly, John Owen (49) proposes a national scholarship plan which would consider the social as well as the private benefits of educating a student, and therefore would tend to aid needy students.

The problems of the middle-class family in financing a college education have also received attention. Ronald Wolk (78) and economist Roger Freeman (27) discuss tax credit

legislation to ease parents' burden. Tax credit plans would allow parents to deduct an amount from their federal income tax based on the cost of tuition and fees. The largest deduction in the plans proposed would be highest for the first \$100, decreasing thereafter (78). However, critics of these proposals point out that they would cut into the federal tax base and would not effectively aid parents faced with rising tuition (16, 58, 78).

National center proposals

Because the federal government is increasingly involved in the financing of higher education, many writers foresee a need for coordinating and planning the growth of higher education at the national level (20, 23, 35, 44, 52, 53, 56, 57, 58, 59). They have offered various proposals for a national center for higher education which would provide a forum for discussion and an impetus for program development and experimentation in higher education.*

The concerns of the Wescoe Report's (59) National Council on Higher Learning are typical. The Council, which would be located in the office of the Secretary of Health, Education, and Welfare, would serve as a center for communication and research. It would be responsible for establishing priorities, conducting research, evaluating existing programs, and developing plans for the federal government's long-range involvement in higher education. In addition, the Council could be responsible to the President and Congress in identifying areas that needed legislation. The Carnegie Commission's proposed National Foundation for the Development of Higher Education, organized like the National Science Foundation (57), would also give financial aid to encourage innovation and strengthen "essential areas."

As policymaking and research bodies, these agencies might strongly influence the organization and direction of higher education. This possibility conflicts with two frequently lauded characteristics of American higher education—its autonomy and diversity. Writers on future financing are often concerned with preserving these qualities in the face of greater dependence on federal funds:

... it should be our first premise to preserve and strengthen the healthy diversity of institutions and forms of organization ... [for] diversity implies that a single point of federal control must be avoided. This pluralism is a protector of academic freedom and a means of promoting appropriate differences of focus and function, and it stimulates experimental efforts to improve the education process. (Hitch, 35)

Although they support the concept of a national council, Amitai Etzioni and Murray Milner (20) do not believe it would dominate American higher education, which they

*On March 19, 1970, President Nixon proposed the establishment of the National Foundation for Higher Education as part of the Higher Education Opportunity Act. "Organized with a semi-autonomous board and director appointed by the President," the Foundation would make grants to public and private institutions and organizations in support of innovative programs.

compare to a feudal organization that can influence but not regulate. They note:

while such a council would be of value, it is unlikely to alter the system drastically. . . . there is no individual group or agency that can guide, let alone direct, the American system of higher education to progress in new ways toward new goals.

The literature on future financing of higher education seems to assume that new sources of funding will appear

because there is an urgent need for them. This is an optimistic and perhaps unwarranted assumption. Yet, guided by this faith in future revenues, educators and economists are attempting to build a system which will not be subject to financial crises like the present ones. They recognize that "the decisive actions still lie ahead. [And so] also should the decisive debate" (Kerr, 35). Whether these plans are implemented, they are certain to influence the future economic structures of higher education.

ANNOTATED BIBLIOGRAPHY

1. *The Academic State. A Progress Report to the Legislature on Tuition and Other Matters Pertaining to Higher Education in California.* Sacramento: Joint Economic Committee on Higher Education [1968].

This report, the Joint Committee's preliminary findings, is principally concerned with the question of imposing tuition at the University of California. It discusses the reasons offered for tuition charges: (1) to raise additional funds; (2) to reduce general fund costs; (3) to increase the private contribution; (4) to divert students to other branches of the public system; (5) to provide indirect aid to private institutions; (6) to reduce the number of students in public institutions who have a low degree of motivation; and (7) to improve access for low-income students. The Committee finds that "under present circumstances the arguments offered for tuition are of insufficient relevance and merit to justify" the imposition of a tuition policy.

2. Bailey, Stephen K., "Public Money and the Integrity of the Higher Academy," *AGB Reports* 12, October 1969.

The author, a Regent of the University of the State of New York and chairman of the Policy Institute, Syracuse University Research Corporation, discusses the problem of squaring "higher education's increased dependence upon public treasuries. . . with its desire for autonomy and diversity." Categorical grants have been criticized for encouraging the government rather than institutions to set priorities. The author believes that these types of grants are a danger because they lessen the "academic will to bite the hand that feeds them." He proposes the establishment of policies and practices to ensure objective criticism. Further protection against public intervention will also result if publicly appointed trustees of both private and public institutions "make their institutions responsible for efficiency and productivity."

3. Berdahl, Robert O., "Private Higher Education and State Governments," *Educational Record* 51, Summer 1970.

The author discusses some of the issues involved in state financing of private higher education, particularly of church-related institutions. He predicts that "increasing cooperation among institutions—public-public, private-private, public-private; both intrastate and interstate. . . may offer a solution to the thorny problems connected with constitutionality of direct state aid to denominational institutions." The state would funnel its aid through the cooperating agencies for distribution. Reporting on recent state studies, he notes recommendations for state support of private colleges and universities and their suggestions for circumventing the church-state issues through such means as state constitutional amendment or lay control. He agrees with the reports' emphasis on the need for institutional accountability for the funds they receive and points to their concern for encouraging quality education.

4. Bolling, Landrum R., "Possible Solutions for Financial Crises of the Private Sector of Higher Education." Paper presented at the 25th National Conference on Higher Education, American Association for Higher Education, Chicago, March 2, 1970. ED 038 089. MF-\$0.65, HC-\$3.29.

While admitting the seriousness of the financial situation for higher education, the author believes there are sufficient resources to overcome problems. In the area of educational improvement, he suggests that private colleges are an important factor in the country's higher education system and their independence should be preserved. These institutions, however, have to set goals and policy for themselves and cultivate their distinctive qualities. With regard to management, the author calls for improved administration and investment of funds on the part of colleges and universities. He warns of the dangers of dependency in accepting across-the-board government assistance, and he supports the financing of higher education through student assistance. He also recommends the use of the tax credit and the gift tax credit.

5. Bowen, Howard R., "Finance and the Aims of American Higher Education." Address delivered at the 25th National

Conference on Higher Education, American Association for Higher Education, Chicago, March 2, 1970. ED 038 085. MF-\$0.65, HC-\$3.29.

The means used to finance higher education should be determined by what we view as the goals of higher education. Some of the goals, as the author sees them, are: opportunity, student freedom, efficiency, and advancement of civilization. He advocates that the finance of higher education should move toward a "full-cost model," in which instruction is free for students and costs are paid through public appropriations and private gifts. To preserve academic freedom, aid should come from diverse sources and/or be unrestricted. An appendix of benefits that the society gains by supporting a broad system of higher education is included.

6. Bowen, Howard R., *The Finance of Higher Education*. Berkeley, Calif.: The Carnegie Commission on the Future of Higher Education, 1968.

This paper analyzes the problem of financing higher education. First, students should be financed through a federal system of educational grants based on need, and a federal system of loans should be available to all economic groups. Grants would be administered by institutions, loans issued as they are now. Second, institutions should receive unrestricted grants that take into account cost of instruction, type of subject and class level, and enrollment. An institution would estimate the amount of aid needed and receive payment in installments during the year. Any disparity between estimate and actual costs would be corrected in the following year's grants. Third, the author argues that the student already bears three-fourths of his educational expenses in the form of sacrificed earnings. "A cessation of further increases in tuitions in both public and private institutions is the correct answer to this problem of financing." Until this situation occurs, he recommends that tuition in public institutions be low or non-existent, and that it be held to a "moderate level" in private schools. He believes this plan for financing higher education would promote institutional autonomy and diversity because funds would flow from a variety of sources and could be used at the institution's discretion.

7. Bowen, William G., "Commentary: How Should Higher Education Be Financed?" Commentary delivered at the 25th National Conference on Higher Education, American Association for Higher Education, Chicago, March 2, 1970. ED 038 038. MF-\$0.65, HC-\$3.29.

This commentary is in reply to an address given by Howard R. Bowen. W.G. Bowen questions H.R. Bowen's premise that society receives the largest benefits from educated individuals, and that, therefore, those who do not receive a higher education should contribute greatly to its support. One effect of this policy would be lower

or no tuition. W.G. Bowen argues that the greatest benefits of higher education both in material and non-measurable gains still accrue to the student himself. He doubts that lowering tuitions will help institutions obtain support in a variety of other ways, thereby protecting academic freedom; and suggests instead that funding higher education through students diminishes the possibility of political interference in education. He criticizes H.R. Bowen's discussion of the form of support for higher education separate from the amount. W.G. Bowen advocates high tuition and high student aid to finance education. Educational opportunity could be widened through financial aid plans such as work-study grants, scholarships, and loans.

8. Bowen, William G., *The Economics of the Major Private Universities*. The Carnegie Commission on the Future of Higher Education New York: McGraw-Hill, 1968.

This paper analyzes "the economic pressures on the major private universities and [indicates] the nature and magnitude of the financial problems which they face." Bowen bases his statistical discussion on information from Chicago, Princeton, and Vanderbilt, combining their data into "a single set of numbers meant to illustrate the circumstances of a 'representative' major private university." Although he does not propose any method for future financing, he asserts that "there is a clear public interest in maintaining their vitality."

9. Brannon, Gerard M., "Contingency Repayment Education Loans Related to Income." Washington: December, 1967. ED 044 072. MF-\$0.65, HC-\$3.29.

The author questions the belief underlying contingency repayment plans for student financing that "additional earning capacity due to college education is an appropriate index of the student's liability for payment on loans which will cover a large part of the cost of higher education." He cites studies indicating that education is not a significant variable in determining income; and, therefore, in making large loans, the bank would suffer losses from low income borrowers. In this situation, high income borrowers may pay in excess of their full loan in order to balance the bank's losses—a situation which would discourage contingency borrowing on the part of potentially high income earners. If the bank were subsidized through general taxation, then high income earners would not have to repay an excessive amount.

10. Cary, William L. and Bright, Craig B., *The Law and the Lore of Endowment Funds. Report to the Ford Foundation*. New York: Ford Foundation, April, 1969, ED 041 559. MF-\$0.65, HC-\$3.29.

This report examines the law regulating endowment funds, particularly the use of capital gains. The authors

base their conclusions on a survey of 186 institutions with investment portfolios having a market value of \$3,000,000 or more as of June 30, 1967. The authors disagree with the traditional practice of considering an endowment fund's capital gains as part of that fund's principal which, therefore, cannot be expended. They find that donative instruments rarely specify that capital gain must become part of the principal; state statutes do not answer the issue; and the courts have not yet decided the problem. They predict that the courts will eventually hold that the realized appreciation on endowment funds constitutes income and certain safeguards will probably be imposed to govern the expenditure of realized gains. Knowing that the law does not prohibit the use of capital gains, endowment fund managers will have greater flexibility in investment and expenditures.

11. *The Challenge of Achievement. A Report on Public and Private Higher Education in California.* Sacramento: Joint Committee on Higher Education [1969].

This final report of the Joint Committee on Higher Education deals with the range of issues in higher education in California. In discussing financing, it examines the problem of private institutions and recommends state aid to private colleges and universities through partial tax credits for contributions to these institutions; cost-of-education supplements to students attending private institutions are also recommended. In addition, the Committee proposes a revision in the California Constitution "to provide financial support to non-sectarian programs at private colleges and universities at such time as it may appear desirable to do so and under terms and conditions to be determined subsequently." In the public sphere, the Committee reiterates its opposition to imposing tuitions (see item 1), calls for more aggressive fund raising, and proposes that all of public higher education should decide together what form federal aid should take in the future and how it should be used.

12. Chambers, M.M., *Higher Education: Who Pays? Who Gains? Financing Education Beyond the High School.* Danville, Ill.: The Interstate Printers & Publishers, Inc., 1968.

This book serves as a primer for laymen interested in the financing of higher education. The author surveys the history of higher education financing; discusses the problems of running a college or university; examines the issues involved in endowment, tuition, private support, and local, state and federal support. He admits that this is not an "objective" book; and in fact, it is highly opinionated throughout. He strongly advocates low or free tuitions at public institutions.

13. Clurman, Michael, "How Shall We Finance Higher Education?" *The Public Interest* 19, Spring 1970.

The author discusses the merits of financing higher education through student loans rather than institutional aid. He argues that institutional aid will not ameliorate financial problems caused by "the intense competition for academic prestige and distinction." It is almost impossible to devise an equitable formula for such aid, and any formula could not include "the subtlety and respect for small distinctions" which a free market would promote. A student loan program using a contingency repayment plan and opportunity grants for low income students would help institutions solve their financial problems, improve the quality of higher education, and "create a more desirable set of student attitudes." A loan program would result in higher tuition in public institutions, thereby increasing the demand for private higher education. Private institutions would be free to raise tuition without fear of losing good students. "This should ensure the continued ability of private higher education to exist on a sound financial basis and will strengthen the autonomy and diversity of American colleges and universities."

14. Collins, Charles C., *Financing Higher Education: A Proposal.* Los Angeles: ERIC Clearinghouse for Junior Colleges; Washington: ERIC Clearinghouse on Higher Education, February 1970. ED 037 206. MF-\$0.65, HC-\$3.29.

The author proposes that students finance their college education through interest-free loans granted by an independent agency, the Higher Education Finance Corporation. The student would borrow the full amount of the cost of his education—costs certified by the college he attends—and would repay the loan through a surtax on his net income when he "reaches a level of reasonable affluence." Employers would contribute one-half of the repayment, or the borrower would repay the entire loan if self-employed. When the loan was first made, the borrower would take out the Corporation's term insurance to cover the amount loaned, and the Corporation would be the beneficiary in case of death. If a borrower were unable to repay his loan because of low earnings, he would pay the insurance premium each year as part of his income tax and the insurance money would be used to retire his loan after his death. The loans would be interest-free if the Corporation were funded from actual federal revenue rather than federal borrowing, and "the cost of staffing and operating one Corporation . . . [would be] a great deal less expensive than the operation of the [current] 40 federal agencies" concerned with funding. For further discussion of this proposal see Collins, "Financing Higher Education: A Proposal," *Educational Record* 51, Fall 1970.

15. Connery, Robert H., ed. *The Corporation and the Campus. Corporate Support of Higher Education in the 1970's.* New York: The Academy of Political Science, 1970.

This volume includes papers presented at a conference sponsored by the Academy of Political Science and the Council for Financial Aid to Education in November 1969, as well as other papers prepared specially for this publication. The section on "Financing Higher Education" includes: "Growth and Change in Higher Education" by Alice M. Rivlin and June O'Neill; "Financial Needs of the Campus" by Howard R. Bowen; "Tax Support" by Norman P. Auburn; "Student Charges" by John D. Millett; and "Prospects for Voluntary Support" by Hayden W. Smith. The role of business and its stake in the future of higher education are discussed by Edgar F. Kaiser, William F. May, James E. Oates, Jr., Joseph C. Wilson, and Charles B. McCoy.

16. Crossley, Robert P., *Tax Credit Legislation: Will It Ease—Or Increase—The Burden of Rising College Costs?* Washington: National Association of State Universities and Land-Grant Colleges, 1965. Reprint of *Pageant* article, July 1965.

The author argues that the tax credit plan, which sets an upper limit on the amount of the credit, would not provide financial relief to the middle class parents it is designed to help. He predicts that the parents would not be able to keep their tax credit savings because colleges would feel free to raise tuitions without imposing a hardship. In addition, the federal treasury would lose income under this plan so that taxes would be raised. Higher taxes would be particularly unfair for those taxpayers in states where tuition at public institutions is subsidized by high state taxes and is low. The author is also worried that Congress would not provide funds for higher education once it granted tax credits.

17. *The Economics and Financing of Higher Education in the United States. A Compendium of Papers Submitted to the Joint Economic Committee, Congress of the United States.* Washington: US Government Printing Office, 1969.

One basic idea underlies these 24 papers on the financing of higher education: "in seeking an optimum allocation of resources to higher education, decision-makers must focus on the two primary criteria of efficiency and equity"—two concepts frequently in opposition to each other. Part I of the compendium discusses the economics and financing of higher education, and suggests that reliance on a free market to provide higher education will not result in the most satisfactory educational system. In Part II, the economic efficiency of expenditures on higher education and the distributional or equity impact of the cost and benefits of higher education are discussed. To complement this section, Part III deals with quality and costs of higher education. One paper assesses the determinants of quality; two papers examine the factors influencing long-run and short-run costs. Part IV deals with "The Structural Outlook for Institutions of Higher Learning," and both the

current situation and future developments are discussed. Part V covers the economic problems of private colleges and universities. One paper suggests that these institutions need new sources of income to avoid a substantial deficit; the other paper estimates future expenditures and notes the "financial impact of the common understatement by institutions of projected future needs and their tendency to ignore significant new developments." Part VI is devoted to the problems of the future financing of higher education. Several proposals for a system of student loans are discussed: the Educational Opportunity Bank (19), the Carnegie Commission recommendations (57), and papers by Alice M. Rivlin (74), and Jeffrey H. Weiss, and Michael Clurman (13). Howard R. Bowen (6) argues against these proposals.

18. *The Economics of Higher Education. Papers Presented at the Third Annual College Education Scholarship Service Colloquium on Financial Aid, May 22-25, 1966.* New York: College Entrance Examination Board, 1967.

Here, educators and economists discuss basic issues in the economics and financing of higher education. W. Lee Hansen points out that current discussions involve the concept of "human investment": the effects of education on productivity, individual development and society, i.e., the relationship of investment expenditure to future returns. This relationship affects decisions on how higher education is financed and who pays for it. Seymour E. Harris, Allan M. Cartter, and Eliot J. Swan describe other economic problems in higher education. Arguments for and against tax credit plans, federal, state and local interest in and problems with higher education, and the effect of loan financing on colleges and universities are discussed.

19. *Educational Opportunity Bank. A Report of the Panel on Educational Innovation to the U.S. Commissioner of Education, the Director of the National Science Foundation, and the Special Assistant to the President for Science and Technology.* Washington: US Government Printing Office, 1967. ED 0 42 419, MF—\$0.65.

The "Zacharias Report," as this plan is informally known, recommends the establishment of an Educational Opportunity Bank which would be a wholly or largely self-supporting agency of the federal government. While it would not be a substitute for other governmental or private aid programs, it would subsume other federal loan programs. The subsidies thus saved could be used for other support in higher education. The Bank would allow a student to borrow up to \$15,000 to cover tuition, costs and subsistence for any post-secondary institution he attended for four years. Repayment would extend over a 30- or 40-year period and would be based upon a pledged percentage of gross annual income in proportion to the amount borrowed—a contingency repayment plan. For example, a student might pledge 1%

of his gross income for every \$3,000 borrowed. The Panel estimates that these proportions would make the Bank self-sustaining. However, borrowers would have the option of repaying the loan in full at 6% interest compounded annually. If the Bank were established, the Panel believes it would: (1) increase the total financial resources available for undergraduate education, which would help institutions to maintain or improve their education; (2) free colleges to set their own priorities; (3) encourage the continuation of private colleges and universities; (4) increase the number of low income students attending college; (5) enhance the possibility of matching low and middle income students with appropriate institutions; (6) make students responsible for their own education; (7) reduce middle income parents' demands for tax credit for higher education expenditures; and (8) reduce disparities between rich and poor states. The Panel also discusses some questions that require further study, such as the repayment schedule for higher earners, the problems of married women who have assumed loans, and how to establish the Bank.

20. Etzioni, Amitai and Milner, Murray, *Higher Education in an Active Society: A Policy Study*. Washington: Bureau of Social Science Research, Inc., March 1970. ED 040 695. MF-\$0.65, HC-\$13.16.

This study is concerned with the federal government's role in financing, providing equality of access, and reorganizing higher education institutions to meet future needs of society. The major part of the study examines the problems of financing and takes for its thesis that "... while some forms of [federal] aid will have greater effects than others, none of the currently conceived types of assistance is likely to produce significant change in the stability of either the mobility rates or patterns of equality." The authors also propose a system in which "the rich pay tuition, even in public colleges, and the poor receive not only free tuition but also a substantial allowance." The federal government would finance such a program through interest-free loans, which the student would repay gradually when his income rises above a certain level.

21. Farrell, Robert L. and Andersen, Charles J., *General Federal Support for Higher Education: An Analysis of Five Formulas*. Washington: American Council on Education, August 1968.

This report examines the major provisions, examples of expenditures and advantages and disadvantages of five basic formulas for federal institutional aid to higher education. Under the Miller Bill, \$150 million would be distributed among institutions by the National Science Foundation by means of a three-part formula based on "project awards," enrollment in science courses, and earned advanced degrees. The total authorization would

be split into thirds, subject to more specific formulas for distribution among institutions. Howard R. Bowen's (6) model of institutional support would grant aid on the basis of cost-of-instruction and enrollment increases in per-student educational expenditures for all students, and all student educational expenditures for 50% of the enrollment. The authors broaden the New York State formula (46) for national use: they include public as well as private institutions, and a subvention of \$50 per full-time equivalent junior college student. The Basic Enrollment Formula developed by several educational organizations and the Office of Education would distribute federal funds among colleges and universities on the basis of their share of national enrollments and/or earned degrees awarded. By applying a weighting factor to enrollments, some allowance is made for the differences between the per-student expenditures for lower division and upper division undergraduates, and graduate students. Under the Farrell-Andersen Growth Difference formula, aid to colleges and universities is determined by estimating a figure for student education expenditures according to the growth rate of the Gross National Product. This hypothetical figure is then subtracted from the actual figure for student education expenditures. The resulting amount—representing the effort expended over and above the amount that could be expected through normal expansion of the economy—is the amount which the federal government would match in institutional aid. It would be divided between the public and private institutions according to the number of degrees each awarded. The authors find that "regardless of the level of total outlay, and regardless of the formula basis, when the institutions are classified by ... [type of institution], the distributions of the five mechanisms examined vary only slightly."

22. *The Federal Financing of Higher Education*. Washington: Association of American Universities, April 1968. ED 024 344. MF-\$0.65, HC-\$3.29.

This report asserts that colleges and universities can carry out their responsibilities to the country only if there is "increased financial assistance from all available sources, but especially and particularly from the federal government." To this end, the report proposes a series of recommendations that would increase funding of present programs in the areas of student aid, graduate and professional programs, capital funds, research and libraries. It calls upon the government to provide new funding for programs dealing with social problems, and to initiate "a system or systems of broadly based institutional support for colleges and universities ... great care should be given to insure recognition of the levels and types of instruction and their widely varying costs."

23. *Federal Programs for Higher Education. Needed Next Steps*. Washington: American Council on Education, 1969.

This document represents the Council's official position concerning the federal government's role in higher education. Generally, the Council supports the present pattern of federal funding, which evolved to fulfill national goals: (1) greater access to higher education; (2) provision of highly educated and trained manpower; (3) support of basic research for possible application to national concerns; (4) support and encouragement of high quality in colleges and universities; and (5) mobilization and use of institutions' intellectual resources in service functions. However, full funding is needed for these goals to be realized. To further achieve national goals, the Council recommends that cost-sharing and matching fund requirements which divert funds from programs that are not federally supported should be eliminated. It also calls for general institutional support for all regionally accredited institutions, using a formula based on enrollment, quality and grade level considerations. The Council endorses the concept of a national coordinating council to deal with all aspects of higher education.

24. *Financial Problems of Massachusetts Private Higher Education. Report of the Select Committee for the Study of Financial Problems of Private Institutions of Higher Education in the Commonwealth of Massachusetts.* Boston: Board of Higher Education, January 1970. ED 042 417. MF-\$0.65, HC-\$3.29.

The Select Committee bases its recommendations on a commissioned study of the present and future financial status of private colleges and universities in Massachusetts. It finds that the state must be obligated to private institutions because they assume part of the burden of educating state residents. The Committee proposes that state grants be given to private institutions based on the number of degrees these schools award to Massachusetts residents. The funding level for such grants would be a set percentage—15% of the cost to the state of producing a degree in a comparable state school. Expansion of the student aid program is recommended. To provide institutional aid, the Committee recognizes that the state constitution may need to be amended.

25. "Financing Higher Education," *AGB Reports* 10, June 1968.

In this report of the Association of Governing Board's annual meeting, Howard R. Bowen and William G. Bowen present opposing views on the financing of higher education. Howard R. Bowen proposes a three-point plan for financing: a combination of student grants and loans, and institutional grants (6). He also discusses the reasons for his opposition to financing through tuition. William G. Bowen argues that those who *can* pay high tuition rates should. Students from low income families would finance their education through a large-scale pro-

gram of scholarships and work-study grants. They and middle income students would also receive support from the Educational Opportunity Bank (19), which he favors. Brief commentaries on these presentations are given by Glenn S. Dumke, Raymond A. Rydell, and Sharvey G. Umbeck.

26. *Financing Higher Education. Proceedings of the 15th Annual Legislative Work Conference of the Southern Regional Education Board.* Atlanta: Southern Regional Education Board, 1966. HE 001 849 (RIE Apr) MF-\$0.65, HC-\$6.58.

These papers discuss the financing of higher education from the institutional and state points of view. Lyman A. Glenny points out trends in higher education, particularly rising enrollment and the impact of this increase on all areas of the university. Discussing factors affecting costs of higher education, John Dale Russell suggests that a state makes a sound investment when it supports higher education, for the tax base is greatly improved, and citizens are provided with services. "Student Costs" are discussed by M.M. Chambers, Kingston Johns, Jr., E.F. Schietinger, and Russell Thackeray. They generally favor low-cost or free tuition policies. Johns advocates financial aid for all qualified students, suggesting that this will provide greater access to higher education; Schietinger also suggests that "access to the 13th and 14th year of education should ultimately be available without charge within commuting distance for all residents of a state." "Budgeting Processes" and "Capital Expenditures" are also discussed.

27. Freeman, Roger A., *Crisis in College Finance? Time for New Solutions.* Washington: The Institute for Social Science Research, 1965.

The author describes the spectrum of problems involved in financing higher education: increasing costs and enrollment, and present and potential sources of funding. The concluding chapter is devoted to his tax-credit plan, which he proposed in Senate hearings in 1963. This plan is the basis for Senator Ribicoff's and others' tax-credit legislation. The tax credit plan "would permit a taxpayer to deduct from his federal income tax an amount which is related to the tuition and fees—or also books and supplies—which he pays for himself, his dependents or somebody else." The percentage of the deduction is highest for the first \$100, decreasing thereafter. This schedule thus provides greater relief to those attending public rather than private institutions. The author argues that students and their parents benefit under this plan even if colleges raise their tuitions, "unless the institutions increase their fees by a greater amount than the total of the credit and *by more than they otherwise would have raised them.*" He believes this contingency is unlikely.

28. Froomkin, Joseph, *Aspirations, Enrollments, and Resources. The Challenge to Higher Education in the Seventies*. Washington: US Government Printing Office, 1970. ED 037 183.MF-\$10.65.

This report estimates the federal resources needed for post-secondary education. Included is an analysis and critique of seven formulas for institutional aid. Five of these proposals—the Miller Bill, the Bowen Growth, the New York State, the Basic Enrollment, and the Farrell-Anderson Growth Difference formulas—are discussed in *General Federal Support for Higher Education* (21). The author also examines the Carnegie Commission proposal for matching federal scholarship grants with institutional support grants (57). In evaluating these formulas, the author suggests that a superior plan “must take into consideration some understanding of the manner in which institutional costs arise, the nature of these costs and how they are incurred in offering different types of instruction.” Since costs are related to level of instruction, but “instructional outcomes are not directly related to the level of expenditure per student,” the author advocates the Office of Program Planning and Evaluation (OPPE) formula which recognizes level and type of instruction and the student population’s ability to pay. The OPPE would give “the grant to the institution at a proportion of the difference between the average cost incurred to produce a credit hour, and the ability of students to pay for that instruction. It would differentiate between disciplines and level of instruction.”

29. Hansen, W. Lee, “Income Redistribution Effects of Higher Education.” Paper presented to the American Economic Association, December 1969, ED 037 157. MF-\$0.65, HC-\$3.29.

The author examines “the equity or income redistribution effects of higher education” in California and Wisconsin, as part of the large issue of “how the present system of financing higher education operates to promote the objectives of economic efficiency and equity.” In California, he finds that students from higher income brackets are generally in the University system and receive larger state subsidies than lower income students in the state and junior colleges. While Wisconsin has a similar distribution of students according to income, students in state colleges receive larger subsidies than those in the University system; hence, the Wisconsin system is more “egalitarian.” The author questions the equity of giving subsidies only to those high school graduates who attend public junior or senior college, and suggests that students at private and technical schools should also receive subsidies. He also argues that the provision of low or no tuition does not benefit needy students as much as the award of larger amounts of aid given on the basis of need.

30. Hansen, W. Lee and Weisbrod, Burton A. *Benefits, Costs, and Finance of Public Higher Education*. Chicago: Markham Publishing Company, 1969.

“This is a study of the methodology for estimating the benefits and costs of higher education for a state, and of the relationship of these benefits and costs to legislative policy.” It was commissioned by the Joint Committee on Higher Education in California. Although the authors are primarily concerned with the technical problems of financing in California, their analysis raises some general problems of policy. These problems include: (1) increasing fiscal pressures on public colleges and universities which must depend on a tax system unresponsive to the growing demand for higher education; (2) taxation of a local population for higher education which does not always receive its benefits because college educated people are highly mobile; this fact justifies increased federal support; (3) the fact that income not earned by students is the largest college cost, necessitating substantial grants to low income students to offset this cost; (4) the tendency of public subsidies in California to benefit students from relatively high income families; and (5) the fact that to be completely equitable, public subsidies should perhaps be given to young people for programs other than college education—training programs, small business investment, etc. An extended discussion of Chapter IV, “Distribution of Benefits and Costs of Public Higher Education in California,” appears in *The Journal of Human Resources*, Spring 1969, pages 176-91.

31. Hartman, Robert W., “A Comment on the Pechman-Hansen-Weisbrod Controversy,” *Journal of Human Resources* 5, Fall 1970.

The author examines the methodologies used in discussions on who pays for and who benefits from public higher education in two *Journal* articles (30,52) and suggests that debate should focus on basic principles and “empirical questions.” These principles include the goals of equality of opportunity, “the provision of below-cost higher education to ensure that both public and private benefits are accounted for in the enrollment decision,” and the idea that there is a “trade-off” between these goals in legislatures. He recommends that investigators discover if federal and state programs can be developed which will widen the social benefits of higher education and eliminate the lack of equal opportunity.

32. Heywood, Stanley J., “Possible Solutions for Financial Crises of the Public Sector of Higher Education.” Paper delivered at the 25th National Conference on Higher Education, American Association for Higher Education, March 3, 1970. ED 040 669. MF-\$0.65, HC-\$3.29.

The author suggests that higher education will eventually become a citizen's right, as is secondary education now. Given this situation, "a federally participating system of supporting higher education must be established." He proposes a Civilian Bill for Higher Education—the equivalent of the GI Bill for World War II veterans—as a good investment for the nation, economically and qualitatively. The government should also establish a matching formula for operating expenses and facilities.

33. Jefferson, Joseph and Moulton, Walter H., "New Approach to Financing a College Education," *Occasional Papers in Higher Education*/No. 1. Brunswick, Me.: Bowdoin College, 1970.

To provide equal opportunity for higher education freedom of choice in choosing an institution, the authors propose the establishment of a national student group life insurance program under federal auspices. The size of the individual policy is based on the needed level of subsidy per school year, but this amount has to be at least twice the size of the student's subsidy because of the repayment features discussed below. When a student's policy is approved by the federal government and his school furnishes proof of attendance, the government gives his school the total amount of needed funds, to be disbursed to the student at regular intervals.

The student would be responsible for paying the annual insurance premiums from the date the policy was issued for as long as he lived. . . . When the policy holder dies, the federal government would be the prime beneficiary. [For example,] \$20,000 of insurance . . . would be used to reimburse the federal government for the original \$10,000 subsidy to the student. The remaining \$10,000 of insurance could be distributed in a variety of ways [which would benefit the government].

The authors believe that this program would become wholly or in part self-funding and that other federal scholarship and grant programs could be gradually eliminated.

34. Jellema, William, "The Educational Opportunity Bank. A Working Paper." Washington: Commission on College Administration, Association of American Colleges, April 1968.

The author suggests that the Educational Opportunity Bank (19) should be given more careful consideration by educators who have rejected it. He lists its major benefits: quickly available money; better competition between public and private institutions; elimination of the church-state problem; a reminder that the individual receives the chief benefits, personally as well as economically from his education. He also briefly answers objections that have been raised to the Bank by arguing, for example, that the fear of "life indenture" to the

Bank does not recognize "that we have become a credit nation. . . the Zacharias proposal recognizes that the appropriate standard of wealth (and for taxation) is income." The question which needs to be answered is "Can the plan or any of its features be developed to fit into a comprehensive program of federal aid to higher education?"

35. Kerr, Clark et al, "Financing Higher Education. The Policy Dilemmas," *The Public Interest* Number 11, Spring 1968.

In this symposium, sponsored by the Carnegie Corporation, ten economists and educators evaluate alternative ways of financing higher education. They are generally concerned with the federal government's role and the costs that the student should bear. The major methods of financing—tax credit, student grants and loans, categorical aid, institutional aid, and state funding—are considered. Nine writers either assume or argue that the government has an interest in and responsibility for higher education, but Milton Friedman believes that students should pay for their own college education "either currently or out of the higher income the schooling will enable him to earn." If government funds are used, he advocates the plans used for World War II veterans as "least bad." Among the other authors, concern is expressed for financial support that maintains student and institutional autonomy and diversity.

36. Killingsworth, Charles C., "How to Pay for Higher Education." Presidential Address at the Economics Society of Michigan. Ann Arbor, March 17, 1967. ED 043 288. MF-\$0.65, HC-\$3.29.

The author proposes the establishment of the Higher Education Loan Pool (HELP), "a non-profit, government-chartered corporation like the Federal Deposit Insurance Corporation." Under HELP, students could participate in either or both the contingent repayment plan and the fixed repayment plan. The contingent plan would allow the student to borrow as much as the full cost of four years in college, up to \$15,000. He would pay "a flat-rate personal income tax for forty years with the rate related to the amount borrowed," collected through his income tax. The fixed repayment plan would involve a 15-year period and a maximum loan of \$15,000. The interest rate should be 2%, and the federal government would make up the difference to equal the rate on contingent repayment loans. Men and women would pay the same basic contribution rate.

By limiting the requirements for both types of loans to full-time enrollment in an accredited four-year institution, the author believes his plan offers equality of educational opportunity. Students from low income families would be motivated to attend college because they would be assured of full financial support and

repayment tied to a percentage of their future income, and colleges would not have to refuse admission because of inability to pay. HELP would also provide support to institutions through its "college facilities" loan under which colleges could borrow the full cost of building instructional facilities. Repaying this loan over a 50-year period, institutions would pledge "an appropriate amount of student fees for each \$1,000,000 borrowed."

37. Kirk, Grayson, "Changing Patterns of Public and Private Support for Higher Education," *Journal of Negro Education* 36, Summer 1967.

Private colleges and universities' traditional sources of income—endowments, private donations, and student fees—cannot provide full financial support. Institutions need public support, and the author suggests two methods of funding. First, the state could give the college student "a voucher on state funds equal to some major fraction of the cost which the state would incur if he decided to attend a state university." Although this plan has problems, it would enable the state to utilize fully its private institutions before spending larger amounts on public institutions. Second, the state and/or federal government might establish an agency similar to Britain's independent University Grants Commission, which grants public funds to students. The author also suggests that institutions find new ways to increase their effectiveness and efficiency.

38. Mallan, John P., "Current Proposals for Federal Aid to Higher Education: Some Political Implications." Paper prepared for the American College Testing Program Conference on the Financing of Higher Education, Washington, D.C., February 21, 1970. HE 001 894 (RIE Apr). MF-\$0.65, HC-\$3.29.

In the first section, the author discusses briefly five positions on federal financing of higher education and their political viability. These positions are: (1) fuller funding of present student aid and institutional support; (2) substantial new student aid proposals, especially for the disadvantaged; (3) student loan bank plans; (4) general aid or institutional support plans; and (5) plans for educational innovation, research and evaluation. The second section deals with the student loan bank plans, which the author does not support. He believes that if this method were recommended as "a serious policy alternative," it would encounter widespread opposition, divide public and private university educators, and place small private institutions at a competitive disadvantage. He also opposes it for the "substantive" reasons given by Howard Bowen and others.

39. *Managing Educational Endowments. Report to the Ford Foundation.* Advisory Committee on Endowment Management. New York: The Ford Foundation, The Educational Endowment Series, August 1969.

To improve the management of educational endowment, the report recommends that trustees "shift their objective to maximizing the long-term total return" from the present goal of avoiding losses and sustaining income. Among the proposals made to achieve this end are: (1) delegation of full responsibility for endowment portfolios to a professional portfolio manager with a capable staff; (2) "All funds that may have to be converted into cash within perhaps five years should be removed from the endowment portfolio and invested separately in prime short-term obligations"; and (3) "The financial planning of the institution should be reorganized to eliminate all pressure on the endowment manager for interest and dividends." The report includes a plan generally applicable only to the marketable securities portion of an amendment.

40. McFarlane, William, *State Support for Private Higher Education*. Atlanta: Southern Regional Education Board, 1969. ED 036 265. MF-\$0.65, HC-\$3.29.

The author examines the role of private higher education in a state system, particularly the issues involved in providing public funds to private colleges and universities. He believes that state aid serves one of two purposes:

- (1) to equalize educational opportunity and expand accessibility and choice, or (2) to enlarge and strengthen the scope and diversity of state-sponsored education programs and services.

Under the first goal, support is directed to the students; under the second, to institutions. Legal problems in providing aid center around the church-state controversy, in which the federal government has wider latitude than do most state governments. Current trends show state-private relationships in scholarships and contract arrangements. The author views general scholarship and loan programs as more promising for Southern private institutions. He also regards consortia as viable mechanisms for channeling public funds into private hands.

41. McMurray, Joseph P., "Plan for Financing Higher Education," *School and Society* 95, December 9, 1967.

The author proposes that the federal government institute a 1% value-added tax, or gross margin tax, the proceeds of which would go to higher education. He believes this tax will be easy to collect, and "it is proportionate; it will grow; and it will not interfere with other [taxes]." All revenues from this tax would be distributed to colleges and universities on an enrollment ratio system. The author believes this plan is justified because higher education increases the gross national product. "Through a value-added tax, the Federal government actually would be investing in one of its greatest resources."

42. Morse, John, "Federal Financing and University Goals." Paper prepared for delivery at the Summer Workshop for Graduate Deans, the Pennsylvania State University, University Park, Pennsylvania, August 21, 1968. ED 030 376. MF-\$0.65, HC-\$3.29.

In this paper, Morse presents the American Council on Education's position (23) on federal financing. He does, however, suggest his private view that "regional accrediting must be greatly strengthened . . . [and] regional disaccrediting must be greatly increased." He recommends establishment of a committee to examine the potential and utility of institutions that would, in such a process, be excluded from federal support to see if they should receive federal funds.

43. Morse, John F., "The Federal Government and Higher Education. General and Specific Concerns in the Years Ahead," *Educational Record* 47, Fall 1966.

Here, Morse calls for general federal institutional support of higher education to supplement categorical aid "if higher education is to meet its own commitments and the commitments being made in its name by the Federal Government." He pinpoints issues which must be resolved in deciding what form this support should take in the areas of facilities, graduate education, research, student aid, and others. Morse also suggests that the nation must provide support for the system of higher education "as a system."

44. Muirhead, Peter P., "The New Pattern of Federal Aid to Higher Education," *Educational Record* 50, Spring 1969.

Since the passage of the NDEA in 1958, the federal government has recognized higher education as an important national resource; previously, support was given to higher education chiefly to serve the government's needs. The author believes that the new relationship between colleges and universities is based on four principles: (1) continued support for private as well as public institutions while preserving institutional autonomy; (2) aid for institutional development so individual goals can be met; (3) continued emphasis on equality of opportunity; and (4) "recognition of the absolute necessity for our institutions of higher education to involve themselves deeply in seeking solutions to the problems facing our society, particularly in our urban centers." The author warns that the growth of federal funding should not result in a loss of support from other sources which would cause greater dependence on the government. He notes that an established policy of institutional aid is missing from this pattern of federal support.

45. Newell, Barbara W., "Enter Now and Pay Later," *Educational Record* 51, Winter 1970.

The author proposes a tuition waiver for college freshmen to help students from low income backgrounds overcome economic barriers to higher education. She notes that low income students are not proportionately represented in the college population and that application to college correlates more closely with income than ability. The tuition not paid during the first year could be spread out over the next three years of attendance: financing is more easily accessible and available once the student is in college. This scheme, she admits, represents "first aid" until there is a national answer to the problem of financing higher education.

46. *New York State and Private Higher Education. Report of the Select Committee on the Future of Private and Independent Higher Education.* Albany: State Education Department, 1968. ED 043 281. MF-\$0.65, HC-\$6.58.

The Committee found that private colleges and universities in New York have a level of need which warrants direct state assistance, without which these institutions might deteriorate. Therefore, the "Bundy Report," as this report is known, makes four basic recommendations: (1) the state should provide direct aid to its private institutions based on earned degrees conferred annually—equal amounts for bachelor's and master's degrees and six times that amount for the doctorate; (2) the state constitution should be amended so that it conforms to the federal model with respect to state support of religiously affiliated institutions; (3) the Board of Regents should be strengthened so that it can regulate state planning and maintain quality in all state aided institutions; and (4) private institutions and the Board of Regents should develop a much stronger base of information and reporting for statewide educational decisions.

47. O'Hearne, John J., "Financial Aid May Help Most By Helping Fewer Students," *College and University Business* 49, August 1970.

The author recommends that institutions develop a clear policy on student assistance to guide financial aid officers. This policy should include: (1) the expense level at which the student should live; (2) the procedure for formulating the annual student expense budget; (3) how to measure student need; and (4) how to allocate awards among the aid components of grants, loans, and jobs. He suggests that institutions might investigate the savings that could be made by discontinuing small grants of \$200 to \$300, which may really be a device for encouraging particular students to attend, rather than an aid for real financial need. Institutions might instead consider meeting all the measured needs of students from low socioeconomic backgrounds. Findings indicate that low income students are likely to receive large amounts of aid in the form of loans and jobs, while

students from a higher socioeconomic background receive small grants.

48. Orlans, Harold, *Science Policy and the University*. Washington: The Brookings Institution, 1968.

The essays in this book grew out of a 1965-66 seminar on government policy toward university science. Although the majority of essays deal with developing and maintaining science programs, three papers are concerned with the federal government's support of the university. In "Federal Money and University Research," Don. K. Price argues that "waste of funds would be greatly reduced if... the government—without giving up the project grant as its main instrument of support—would move in the direction of support on a broader basis." He also believes that government officials, rather than professional panels of advisors, should decide how grants should be allocated in order to avoid academic politics. Christian K. Arnold urges the development of formula grants to supplement project grants in "The Government and University Science: Purchase or Investment?" Based on need and productivity, these institutional grants would enable the university to develop its own long range programs, encourage administrative responsibility, and promote equitable geographical distribution of federal support while further encouraging high quality programs. In "A View from the Campus," Homer D. Babbidge, Jr. discusses the university's need for a better balance between formula and project grants if it is to help solve social problems. He argues that a policy of strengthening institutions per se would be sound. Babbidge also calls for more university administration participation in government deliberations on higher education and "some machinery" for evaluating the impact of federal programs.

49. Owen, John D., *Toward A More Consistent, Socially Relevant College Scholarships Policy*. Baltimore: Johns Hopkins University, January 1970. ED 036 280. MF-\$0.65, HC-\$3.29.

The author proposes a plan for granting students financial aid for college, in which both the social and private benefits of a college education would be considered in granting and determining the size of subsidies. A national agency would give funds to students who would, within limits set by the agency, choose their own college. This plan would be an improvement over individual college plans because it would

emphasize broad social values rather than the more narrow academic concerns of the colleges. Further, it would have to make more important decisions on the quantity-quality margin than are required of the individual colleges, and hence would have to develop explicit guidelines for such decisions.

It would also result in a "a more refined instrument than such across-the board subsidy methods as low tuition or

low interest rates on student loans for all students, each of which has undesired redistributive and allocative effects."

50. Pearson, Richard, *The Opening Door. A Review of New York State's Programs of Financial Aid for College Students*. New York: College Entrance Examination Board, 1967.

This report examines the higher education opportunities provided to students through New York's programs of competitive scholarship grants and tuition awards for all full-time students. It notes that higher education is becoming increasingly available to the college-capable students whose ability and academic record are well below that of intellectually able students. To meet the needs of these groups, as well as students from the lowest socioeconomic level who do not now attend but have potential for college, the author recommends direct financial assistance aimed at the total expenses of college attendance—tuition, housing, food, transportation, books, supplies and an allowance for foregone earnings—when the student's attendance at college would result in an undue financial hardship for his family. These recommendations, if they were carried out, would revise New York's scholarship program by allocating aid largely on the basis of need rather than ability measured by traditional competitive testing.

51. Pechman, Joseph A., "The Distributional Effects of Public Higher Education in California," *Journal of Human Resources* 5, Summer 1970.

The author takes issue with Hansen and Weisbrod's argument (30) that income is redistributed from the lower to the upper income classes under the current system of financing public higher education in California. Basing his analysis of benefits and costs on income levels rather than the averages Hansen and Weisbrod use, the author concludes that "the California system is progressive." That is, "the taxes *actually* paid in the lowest income classes for public higher education in California are smaller than the benefits received by families in these same classes." He discusses the difficulty of evaluating the lifetime benefits of public higher education, especially when those who support education do not receive its benefits. The results of such an evaluation would help to decide whether higher education should be publicly supported; whether it is now financed in an equitable manner; and whether it is presently organized in a way that best promotes the program's goals. He believes that free or very low tuition is the best way to provide access to higher education for all qualified students, and suggests that low income students might receive grants to offset the cost of foregone earnings and make a free-tuition public higher education system even more effective.

52. Pifer, Alan, "Toward a Coherent Set of National Policies for Higher Education," *Liberal Education* 54, March 1968.

Noting that the federal government will have to assume the principal financial responsibility for higher education to meet the nation's educational needs, the author says that "we can no longer afford the luxury of an unplanned, wasteful, chaotic approach to higher education." He calls for a federal center for higher education responsible for planning, policy making, and administering public federal funds. Under this system, colleges and universities would be freed from many of the accounting procedures they must now follow, but should also work to increase their efficiency and productivity. He says that

private higher education . . . will gradually disappear and we will end up with a system in which some institutions historically have their roots in the government sector and some in the private sector, but all are . . . public institutions, responsive to the public need and articulated with each other in a national policy framework.

53. *Priorities in Higher Education*. The Report of the President's Task Force on Higher Education. Washington: Government Printing Office, August 1970. HE 001 823. (RIE Apr) MF-\$0.65.

The Task Force is concerned with "immediate," "continuing federal priorities," and "institutional priorities." "Immediate" priorities include financial aid for disadvantaged students through expanded opportunity grants and cost-of-education allowances to institutions, and increased tax incentives for private giving to higher education. To expand post-secondary educational opportunities, "continuing" priorities require increased federal support of two-year colleges, or equivalent programs, aid to four-year institutions and the establishment of a national student loan fund. Graduate education must also be strongly supported through aid to students and institutions in all academic fields. Grants should be allocated to strong regional centers. "Institutional" priorities include: clarification of goals; improvement of curriculum and teaching methods; and examination of governance. The report calls for a National Academy of Higher Education similar to that for the sciences.

54. *Proceedings. A Symposium on Financing Higher Education*. Atlanta: Southern Regional Education Board, June 1969. ED 038 943. MF-\$0.65, HC-\$3.29.

Here, educators discuss the problems of financing higher education from the southern states' and the federal government's points of view. Several speakers discuss positions they have taken elsewhere: Howard R. Bowen (6), John F. Morse (42), Clark Kerr (57), and Russell Thackeray (72). John K. Folger of the Tennessee Commission on Higher Education presents a statistical

picture of the South's financial role in higher education, and L. Felix Joyner, of the University of North Carolina, suggests that "state and local governments are, in terms of capacity and effort, approaching their limits in ability to finance governmental programs at the current level of demand." He foresees the need for and development of new financial arrangements. Both North Carolina's governor, Robert W. Scott, and Edmund C. Mestor, a trustee of Maryland's state colleges, believe the federal government must play the greatest role in future financing. Also included are speeches by Mills E. Godwin, Jr., Henry King Stanford, and Buford Ellington.

55. *Public Financing of Higher Education*. New York: The Tax Foundation, 1966.

This report reviews several of the major areas in the financing of higher education: (1) future demands and tax burden for higher education; (2) economic issues, particularly measurement of the investment value of higher education; (3) federal financing; and (4) state-local financing. The report finds that the private returns of an investment in higher education should pay a larger part of the cost of his education than he now does at publicly subsidized institutions. Rather than provide inexpensive education across the board, governments should raise tuition, and then provide scholarships on the basis of need.

56. *Quality and Equality: New Levels of Federal Responsibility for Higher Education. A Special Report and Recommendations by the Carnegie Commission on the Future of Higher Education*. Hightstown, N.J.: McGraw-Hill, December 1968.

Projecting future needs to 1976-77, the report recommends that federal aid should be directed to two national priorities: "greater equality of opportunity for all able young people, both for their own benefit and for the benefit of the nation; and "a substantial expansion of health service personnel." To accomplish the first goal, the Commission proposes expansion and strengthening of the present program of educational opportunity grants (EOG); federal grants to supplement non-federal funds given to EOG students; federal scholarship grants for EOG students distributed by the institutions in which they are enrolled; federal support of work-study programs; and other governmental grants for counseling and graduate programs. The Commission also advocates establishment of a federal repayment contingent loan program for EOG students needing additional funds and for all other students not eligible for governmental scholarship aid. The program would be administered by institutions, but no student would be allowed to receive more in loans and federal funding than the cost of his education, including subsistence costs. Colleges and

universities should also receive cost-of-education funds based on their enrollment of students holding federal grants.

The report singles out health care for federal support because of the national need for medical services and the mobility of medical personnel. It urges the federal government to provide payments, construction funds, "start-up" funds for new facilities and other aid.

Other recommendations include continuing support of existing federal programs and establishment of a National Foundation for the Development of Higher Education to "encourage experimental programs such as those for the improvement of undergraduate instruction and for urban-grant activities."

57. *Quality and Equality: Revised Recommendations. New Levels of Federal Responsibility for Higher Education. A Supplement to the 1968 Special Report by the Commission.* Carnegie Commission on Higher Education. New York: McGraw-Hill, 1970.

In this supplement to their 1968 report, the Commission amplifies its proposal for a National Student Loan Bank (NSLB), revises its projections of future needs and levels of funding to 1979-80, and discusses new recommendations. A special problem of the NSLB in the 1968 report was that of repayment procedures, particularly for married women. The Commission recommends that repayment should be applied to the combined income of husband and wife and deferred for such situations as service in the armed forces or the Peace Corps. Among new proposals in the Commission's report are: (1) students enrolled in postsecondary and technical institutions should be eligible for grants and work-study programs; students in proprietary institutions should also be able to participate in work-study programs; (2) graduate students enrolled in Doctor of Arts degree programs should also be eligible for fellowship grants; and (3) federal responsibility for education should be placed in a cabinet-level office.

58. *Recommendations for National Action Affecting Higher Education. A Joint Statement.* Washington: The National Association of State Universities and Land-Grant Colleges and American Association of State Colleges and Universities, January 1970. ED 037 170. MF-\$0.65, HC-\$3.29.

These two major higher education associations find that "with the exception of a program of general institutional support, the framework for providing . . . essential forms of aid already is on the statute books, though it may need revision, consolidation, and rationalization." The associations believe the best way to provide equal access to higher education is to keep tuition costs down, and they support bills for the establishment of a "National Institutional Grants Pro-

gram." Proposals for tax credits and a federally supported student loan bank are "unsound" because they would bar low income students from higher education through increased tuition costs. The loan bank plan is unfair to students who are burdened with repayment when "it is clear that the primary benefit [of higher education] is to society."

59. "Report of the Advisory Committee on Higher Education to the Secretary of Health, Education, and Welfare." Washington, D.C., July 1, 1968. MF-\$0.65, HC-\$3.29.

Discussing the federal government's growing involvement in and obligation to higher education, the "Wescoe Report" calls for a more clearly delineated set of national goals and policies. The lack of such direction has created inequities and distortions in higher education where financial support is concerned. The Advisory Committee recommends establishment of a "National Council on Higher Learning" in the office of the Secretary of Health, Education, and Welfare to plan for and evaluate higher education. It also suggests policies for federal participation in higher education: stabilize federal funding operations; maintain diversity by providing grants through a number of agencies and programs and by channeling funds through student aid; revise matching requirements; and encourage other sources of support.

60. Rivlin, Alice M., *The Role of the Federal Government in Financing Higher Education.* Washington: Brookings Institution, 1961.

The author describes the development of federal involvement in higher education. This history serves as background to current arguments over methods of supporting higher education. She calls for increased federal support, particularly for instructional functions, construction facilities, and a limited scholarship program. She suggests that research funds be limited to research, and not used to cover deficits in institutional budgets.

61. Rolletta, Vincent M. "A Quality Factor in Dynamic Federalism," *Journal of Higher Education* 40, January 1969.

The author criticizes what he sees as the current tendency of individuals and institutions to tailor their requests for funds to what they think the federal government wants, and he urges that they make their needs known. He suggests that the present system of using consultants should be revised to allow a "one-third turnover each year in each program evaluation team." This system would avoid the current danger of having one man's views influence decisions affecting a wide variety of institutions. Believing that "cost-of-education" fellowships favor low-cost public institutions over

more expensive private schools, the author calls for a new formula of support in order to fund private institutions on a par with public ones. Federal funding should not support "below-par" institutions, and all colleges and universities should be tested for efficiency.

62. Roose, Kenneth D., "Aid to Students or Aid to Institutions?" *Educational Record* 51, Fall 1970.

The author reviews the arguments for and against the primary alternatives to financing higher education: aid to students or aid to institutions. He finds that support for aid to institutions comes almost solely from the institutions and the organizations themselves. They argue that such support enables colleges and universities to provide quality education at a reasonable cost to all who can benefit. He presents the arguments of well known economists who find that public institutions have not served low income students in the past and have not provided equality of opportunity. They believe that no satisfactory formula for allocating such aid can be developed. Advocates of student aid, including loan plans, argue that it will provide greater equality of opportunity, flexibility, and effective use of resources. Opponents reply that this approach would force colleges and universities to depend completely on students, saddle students with a long term debt, and eliminate the distinction between public and private institutions. The author believes that the aid-to-students approach best meets the criteria of economic efficiency, widening educational opportunity, responding to student needs, and preserving a dual system of higher education.

63. Sanders, Edward J. and Palmer, Hans C., *The Financial Barrier to Higher Education in California. A Study Prepared for the California State Scholarship Commission*. Claremont, Calif.: Pomona College, 1965.

This study examines the present and future financial needs of students in California's public higher education institutions. The authors recommend maintenance of free tuition or greater financial aid through scholarships to sustain a steady increase in college attendance, particularly among those unable to attend without financial aid. The authors found that ability to pay for education has a qualitative relationship with dropping out or staying in college and that financial considerations affect the decision of whether to attend college as early as the junior high school period. The study concluded that

The economic returns from higher education are distributed so unevenly that the use of tuition or enforced loans cannot be justified on the assumption of a uniformly increased ability to pay by the educational consumer.

64. Schrader, Richard M., "The Growth and Pitfalls in Federal Support of Higher Education," *Journal of Higher Education* 40, December 1969.

Briefly recounting the history of federal aid to higher education, the author criticizes the effects that support of individual research projects have had on higher education. First, it encourages scholars to concentrate on research and dissociate themselves from students. Second, it allows military domination over large areas of the university. Third, it provokes instability in personal careers and institutional income, and causes loss of autonomy and integrity. Future support must "foster diversity" among colleges and universities.

65. Schultz, Kenneth, *A Study of Student Financial Aid in Virginia*. Richmond: State Council for Higher Education for Virginia, November 1969. ED 035 375. MF-\$0.65, HC-\$3.29.

Following an examination of the current system of aid to college students, the Student Financial Aid Study Advisory Committee and others proposed a plan that would offer a combination of grants and loans to students. It includes: (1) need-based, non-repayable grants for freshmen in Virginia's public and private two and four-year colleges; (2) a Virginia guaranteed loan program designed to supplement present federal loan programs, which would make funds available through commercial lending sources through coinsurance and interest cost subsidies; and (3) continuation of present state-funded financial aid to undergraduate students in special purpose programs. The report discusses the problems involved in deciding on one form of state aid over another—for example, whether to reward academic achievement with scholarships, to base aid on need alone, or to extend aid to private colleges and universities.

66. Schultz, Theodore W., "Resources for Higher Education: An Economist's View," *The Journal of Political Economy* 76, May/June 1968.

The author discusses economic issues that must be considered in any plan for financing higher education. After briefly considering the limitations of economic analysis in higher education, he presents a series of propositions and their implications concerned with two basic issues: "resources for higher education allocated in accordance with the test of economic efficiency," and "allocations that reduce the inequality in the distribution of personal income." To achieve economic efficiency, changes in organization involving "better economic incentives and better information for those who make allocative decisions" will be necessary. More research is needed on the real costs of education, and on how the benefits of higher education are allocated between the student and society.

67. Shannon, James A., "Relationships Between Science and Federal Programs," *Educational Record* 48, Summer 1967.

The author briefly traces the development of the federal-university relationship in support of science research. He notes that the project form of support has created problems in three areas: (1) instability of science programs that must depend on periodic funding; (2) accountability; and (3) the institution's lack of authority to determine its own future in scientific pursuits. The author calls for "a radical restructuring" of the federal-university relationship, which would challenge the scientific community's dependence on the projected system and diversity of funding sources, and the scientist's traditional lack of involvement in his university.

68. Shell, Karl, Fisher, Franklin M., (et al), "The Educational Opportunity Bank: An Economic Analysis of a Contingent Repayment Loan Program for Higher Education," *National Tax Journal* 21, March 1968.

The authors analyze the feasibility of the Educational Opportunity Bank (19). They find that

it improves the uniformity and distribution of borrowing opportunities; it subsidizes higher education through a low interest; and it introduces a novel kind of insurance against failure [since repayment is based on a percentage of income]. All three factors will probably tend to increase the demand for college education and the funds flowing into it.

Women borrowers create a special repayment problem since they may not have their own income permanently or for long periods after their marriage. To avoid discrimination against married couples, the authors propose a repayment formula in which the husband and wife each pay the EOB tax on their individual incomes if the wife earns income above a formulated level. If she earns below this level, she pays her tax on her own income, supplemented by her husband's payment—a proportion of her tax on his income. The article also discusses repayment tax rate and rate of return; fiscal impact of the Bank; size of the program; and educational opportunity grants to supplement Bank loans.

69. *Special Financial Needs of Traditionally Negro Colleges*. A Task Force Report. Institute for Higher Educational Opportunity. Atlanta: Southern Regional Education Board [1969]. ED 030 390. MF—\$0.65, HC—\$3.29.

This report discusses the special operating fund needs of traditionally Negro colleges and universities. These institutions differ from predominantly white schools in their financial needs for two reasons: (1) a substantial proportion of their students are "disadvantaged" requiring special academic and financial assistance; (2) many of the institutions greatly need to upgrade their

faculty, staff, and facilities, and expand their curriculum. Although the report does not suggest methods of funding, it discusses the issues that should be examined in assessing the needs of a particular institution and offers hypothetical cases of how an institution might spend its special appropriation.

70. *State Assistance to Private and Independent Higher Education in Oregon. Report of the Ad Hoc Committee on Private and Independent Higher Education*. Salem: Educational Coordinating Council, October 1968. ED 031 997. MF—\$0.65, HC—\$3.29.

The Ad Hoc Committee found that private institutions of higher education need state aid if they are to maintain and/or increase their enrollment of Oregon students as well as the quality of their programs. Citing the independent colleges' and universities' contributions to higher education in Oregon, the Committee recommends state aid to these institutions through contractual arrangements and state scholarships to students. Under the contractual arrangements, the Educational Coordinating Council would make payments on the basis of credit hours to accredited two- and four-year institutions enrolling Oregon residents. The scholarship program would be based on need: aid would be determined by the difference between the family's financial ability and the student's educational budget at the institution of his choice. Appendices include draft legislation to implement these proposals, a statement on the legality of state aid to private institutions, and reports on the status of these schools.

71. *Strengthening Private Higher Education in Illinois. A Report on the State's Role*. The Commission to Study Non-Public Higher Education in Illinois. Springfield: Illinois Board of Higher Education, 1969. ED 028 745. MF—\$0.65, HC—\$6.58.

The Commission examines the status of private higher education in Illinois and makes recommendations for future state aid to private institutions. It proposes that the Illinois Board of Higher Education administer institutional grants to private junior colleges, colleges, and universities based on their enrollments. For each Illinois state scholarship recipient, the institution would receive \$500; \$100 for all full-time freshmen and sophomore students; and \$200 for juniors and seniors. The Commission believes it should give aid for out-of-state students to strengthen higher education in the state; Illinois has a net migration of its own residents to out-of-state colleges. It recommends that state funds be given to institutions for facilities, contracts for services, and interinstitutional cooperation. With respect to the church-state controversy, the Commission maintains that "aid to a private institution should not support sectarian purpose or indoctrination or in any way press a sectarian purpose or value on students in the institution."

72. Thackeray, Russell I., "Thoughts on the Financing of Higher Education," *School & Society* 96, October 12, 1968.

Thackeray advocates a new federal program for operating support on a formula basis to all accredited institutions of higher education. This approach is justified because society is the chief beneficiary of a college-educated population and because the student already pays three-fourths of his college education through education costs and foregone income. He opposes loan bank plans which would add to the student's burden, and criticizes proposals which would subsidize the student rather than his institution, fearing rapidly rising tuition fees if this approach became the main means of support. He also warns that if aid to higher education were channeled mainly through students, institutions would have to compete for students by offering programs with "sales appeal" rather than programs that were necessary.

73. Tobin, James and Ross, Leonard, "Paying for the Higher Costs of Education. A National Youth Endowment," *The New Republic* 160, May 3, 1969.

The authors support a self-sustaining loan system for higher education which would employ a contingency repayment scheme. However, they would enlarge this system to include all youths engaged in postsecondary education or training, such as vocational schooling and apprenticeships. At 18, an individual could draw upon government credit or "endowment" of a stated sum for any authorized purpose. Repayments would start at age 28 (unless extended because of the Army, Peace Corps, or Vista) as a fixed percentage of his income for the amount borrowed—1% per \$3000 borrowed, for example. The authors argue that "the average individual would over his lifetime repay the fund in full, plus interest at the government's borrowing rate." Or, the government might set less stringent terms if it decided to subsidize the program. They do not believe that this youth endowment plan would take support away from higher education because "it can never offer enough to finance college and graduate education completely." Russell Thackeray attacks this proposal in the June 7, 1969 issue of *The New Republic*.

74. *Toward a Long-Range Plan for Federal Financial Support for Higher Education. A Report to the President.* Washington: US Department of Health, Education and Welfare, Office of Assistant Secretary for Planning and Evaluation, January 1969. ED 038 102. MF—\$0.65, HC—\$3.29.

This study, known as "the Rivlin Report," recommends that "the Federal Government should adopt as its explicit long-range goal the removal of financial barriers so that post secondary education is guaranteed to all

persons capable of benefiting from it." To improve equality of opportunity, the report calls for an expanded Educational Opportunity Program for needy students attending post-secondary institutions on a full-time basis, and institutional aid through a cost-of-education allowance. In addition, it asks the government to establish a private, nonprofit National Student Loan Bank to make loans at fixed interest rates. Students could annually borrow an amount not to exceed tuition and living costs minus any federal aid received for up to five years of undergraduate and five years of graduate work. Repayment could be extended over 30 years and be made either in relation to income or as a constant annual repayment. The Bank would replace the Guaranteed Loan Program. A second recommended goal of federal support is to improve the quality of higher education through cost-of-education allowances and "a new project grant program to support experiments to improve the quality of undergraduate teaching, and to devise new institutional programs designed to emphasize the importance of teaching."

75. *Toward a Public Policy for Graduate Education in the Sciences. Report of the National Science Board.* Washington: National Science Foundation, 1969. ED 032 018. MF—\$0.65.

This report makes recommendations concerning support of graduate education and academic research in the natural and social sciences and in engineering. It regards graduate education as a "distinctive educational process" for which the federal government should bear the greatest responsibility. The National Science Board calls for support of graduate education through six types of grant programs: institutional sustaining grants; department sustaining grants; developmental grants; graduate facilities grants; graduate fellowships; and research project grants to support research not included in the other categories. Except for the first category, these grants would be awarded on a competitive basis.

76. Valente, W.D., *An Analysis of the Proposed Master Plan for Higher Education for the Commonwealth of Pennsylvania and a Study of Financial Needs of Private Colleges and Universities and Proposed Solutions.* School of Law, Villanova University Villanova, Pennsylvania [1967]. ED 043 275. MF — \$0.65, HC — \$3.29.

This study examines an area not covered in Pennsylvania's Master Plan for Higher Education: the present and future role of church-related institutions in the state. The author discusses state and federal constitutional issues involved in providing aid to church-related colleges and universities and concludes that "state financial assistance to church-related colleges and universities, for secular educational purposes to meet critical public needs would not raise clear violation of

the federal constitution." He outlines possible legislative action dealing with special purpose facilities, equipment, and materials, and special purpose programs. Several assumptions underlie these proposals: (1) the state should use loans rather than grants for assistance wherever possible to achieve maximum return on invested public funds; (2) supplementary funding sources should be provided to encourage optimum pay-as-you-go financing; and (3)

... the state should, through authority legislation, seek to exploit the immeasurable greater quantity of funds in the money market and reserve the limited state revenues to extended use on other educational projects. The authority powers of raising long-term, low-interest, tax-free borrowings, for capital facilities expansion should be invested in Higher Education Facilities Authority. . . .

77. Whelan, Charles S., S.J., "The Higher Education Facilities Act in Connecticut: A Landmark Case," *COMPACT* 4, February 1970.

Father Whelan presents the plaintiffs' and defendants' positions in *Tilton v. Finch*, a suit challenging federal expenditures to four Connecticut Catholic colleges. The plaintiffs argue that Fairfield, Sacred Heart, Albertus Magnus and Annhurst "are instruments of the Roman Catholic Church for the propagation of the Roman Catholic religion. [Therefore] . . . they are clearly ineligible for any governmental assistance for any purpose whatsoever." The author discusses the criteria the plaintiffs use in determining that the defendants are instruments of religious propagation. The defendant institutions and the Department of Health, Education, and Welfare argue that the "Catholic relationship . . . does not impair the secular educational integrity of the defendant colleges and universities." Federal funds are used only for secular facilities. The case is now making its way through the courts, and it is expected that the Supreme Court will decide the case in the spring of 1971.

78. Wolk, Ronald A., *Alternative Methods of Federal Funding for Higher Education*. Berkeley, Calif.: The Carnegie Commission on the Future of Higher Education, 1968.

This volume serves as an introduction to the types of aid available under the five major methods of financing higher education: (1) categorical aid, which signifies support of a specific project or goal determined by the granting agency, through funds from a grant, contract, or loan; (2) student aid, which includes both grant and loan plans; (3) institutional grants, or funds allocated to colleges and universities for broad or undesignated purposes; (4) tax relief for those supporting college students; and (5) revenue-sharing plans, which would return to the states certain tax monies collected by the

federal government. The author objectively presents the arguments pro and con each of these methods. Substantial appendices include the texts of the higher education associations' views on federal aid, information on both existing and proposed legislation, a list of federal aid programs, and the text of the Educational Opportunity Bank proposal.

79. Morrison, Rodney J., "The Negative Income Tax and the Private Institution," *Educational Record* 51, Fall 1970.

The author discusses the inadequacies of present methods of increasing funds at private colleges and universities. He proposes a negative income tax for these institutions which would operate like the tax currently under consideration for poverty level individuals. Under the author's plan, the Internal Revenue Service "would consider as income only tuition, investment income, and income from ancillary enterprises. Donations would be excluded. . . ." Institutions operating at a deficit would receive a portion of that loss in the form of a federal subsidy. Decreased deficits would be rewarded with bonus payments. An institution showing neither profit nor loss "would be eligible for a grant equal to some proportion of its average annual deficit over the period in which it has participated in the program. . . . institutions showing a positive balance would . . . be tax exempt."

80. Yale University. "Yale Tuition Postponement Option," (Background Detail for Release Morning Papers), February 6, 1971. HE 002 072 (RIE Jul). MF-\$0.65, HC-\$3.29.

Under Yale's Tuition Postponement Option plan, a student may defer all or part of tuition and room and board increases, beginning in September 1971. To sign the Deferment and Repayment Contract, a student must agree to postpone a minimum of \$300 of the increase. If he elects to postpone the total amount of the increase, he may also choose to have his account credited with an additional \$300 per year. Repayment will not begin until the calendar year following the year in which he is no longer a full-time degree candidate at any institution of higher education, and is in effect for a 35-year period. Payments will be calculated on the basis of four-tenths of 1% of the Repayment Base for that year for each \$1,000 borrowed, or a minimum repayment of \$29 for each \$1,000 borrowed, whichever is greater. The Repayment Base is computed by the participant's Adjusted Gross Income or, if married, by separate income or one-half of the joint income, whichever is higher. The participant must report his Repayment Base semi-annually on October 30 and the following April 30. With his first report, the participant must pay one-half of his estimated annual obligation—the balance is due with the second report. The plan also includes provisions for

defaults, death or retirement, and insurance against death or disability. In addition, the plan may later be integrated into a larger, interinstitutional deferment program.

Traditional forms of financial aid will be continued for charges up to the amount of fees for the 1970-71 academic year. Aid will not cover the increase for 1971-72, or the anticipated \$300 annual increases in the subsequent 4 years.